



Food and
Agribusiness
Industry
Advisors

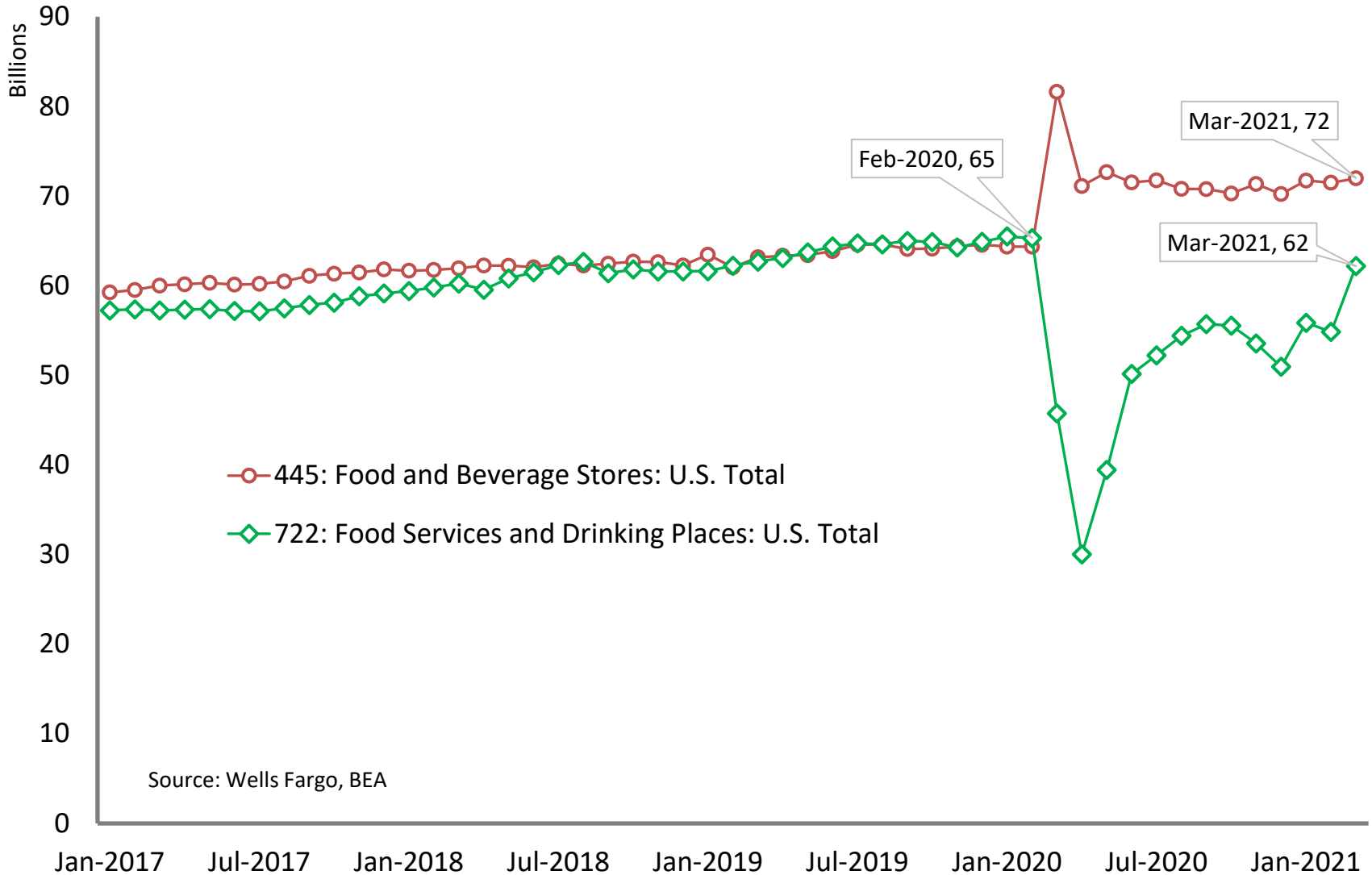
2021 Outlook for Food and Agriculture: Reversion to Normal

May 2021

It all depends on your sales channels.

BEA Retail Sales

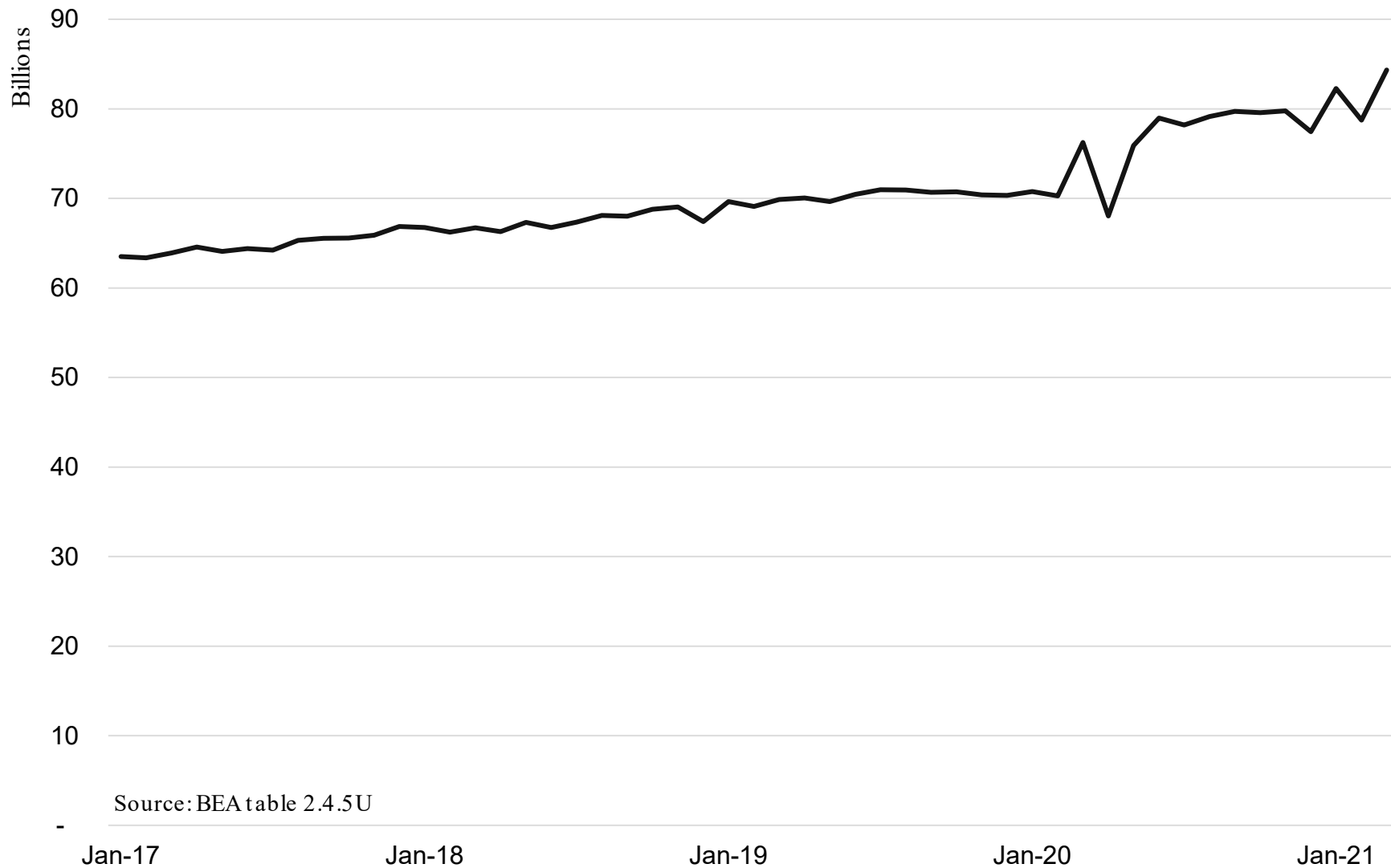
in billions of USD monthly seasonally adjusted



Source: Wells Fargo, BEA

Sales have been historically strong.

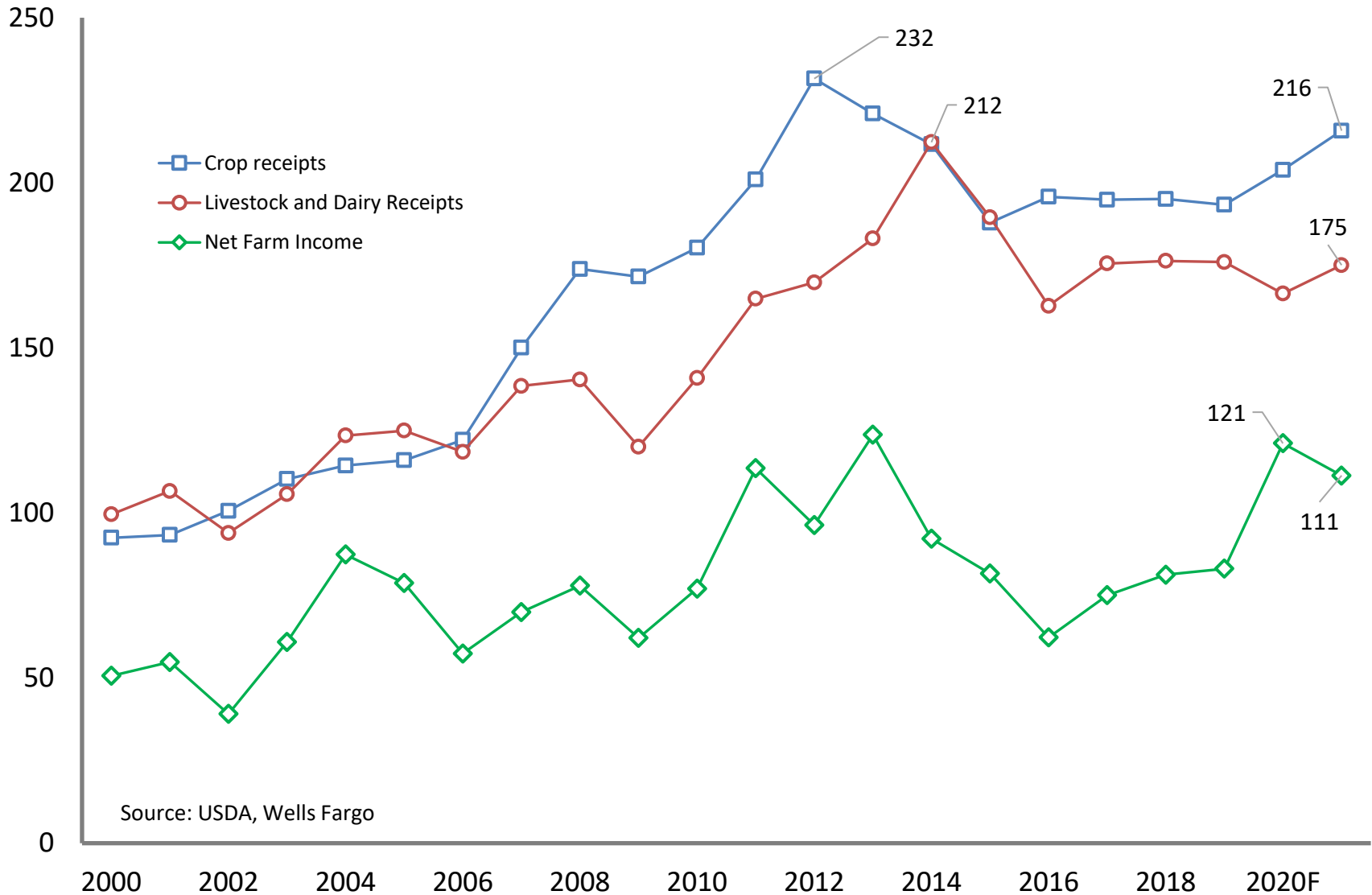
Pets and related products
Seasonally adjusted annualized in billions of dollars



Source: BEA table 2.4.5U

All said and done, 2020 was profitable.

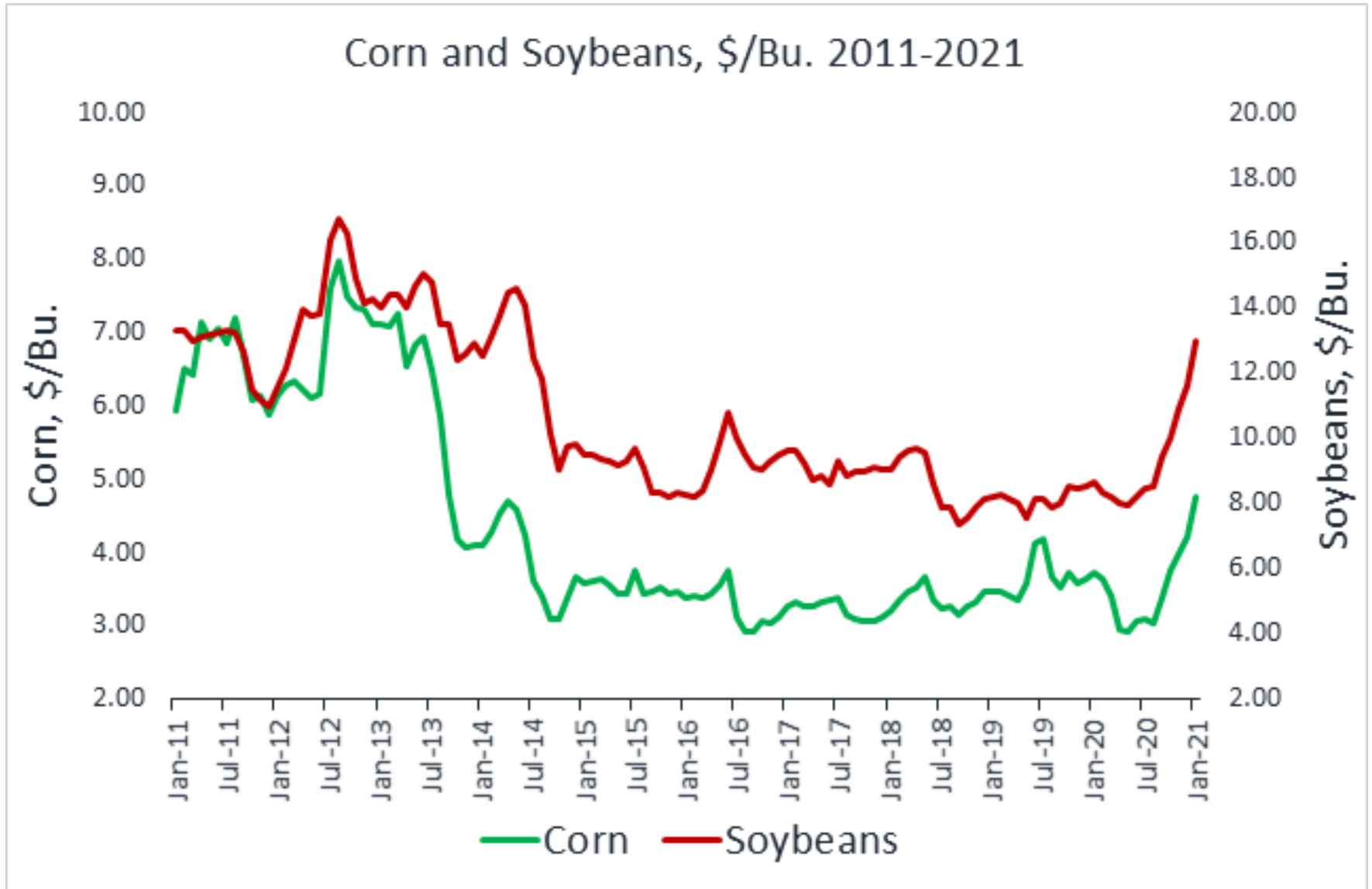
USDA Farm Financials in Billions of Dollars



What's up with the recent rally?

1. Mild supply shock
 1. U.S. yields were “slightly weak”
 2. South America is/was “too dry”
2. China is back
 1. Normalized trade
 2. Rebuilding it hog herds
 3. Economic growth normalizes
3. Ethanol demand is weak and weakening

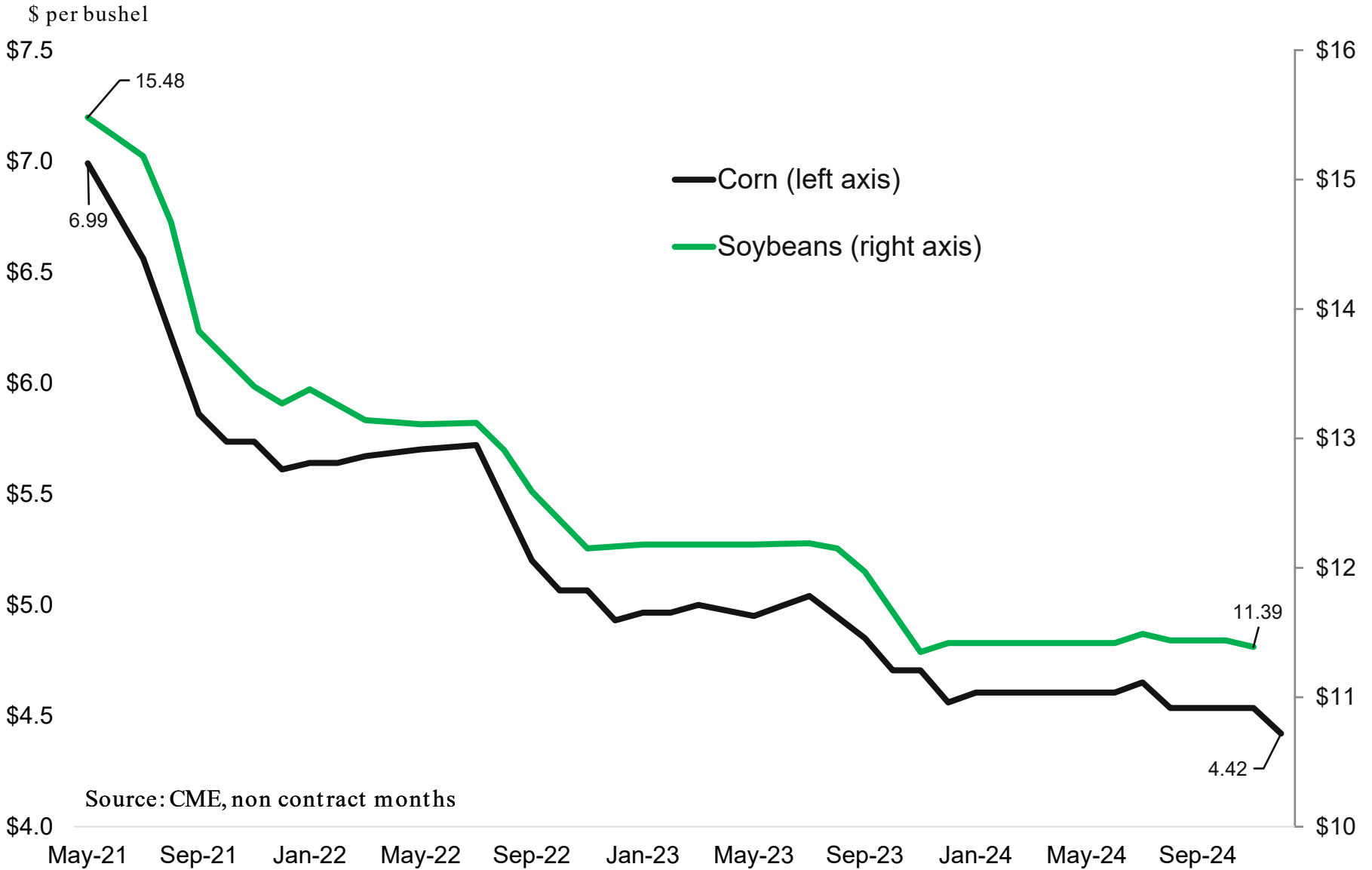
Prices on the move.



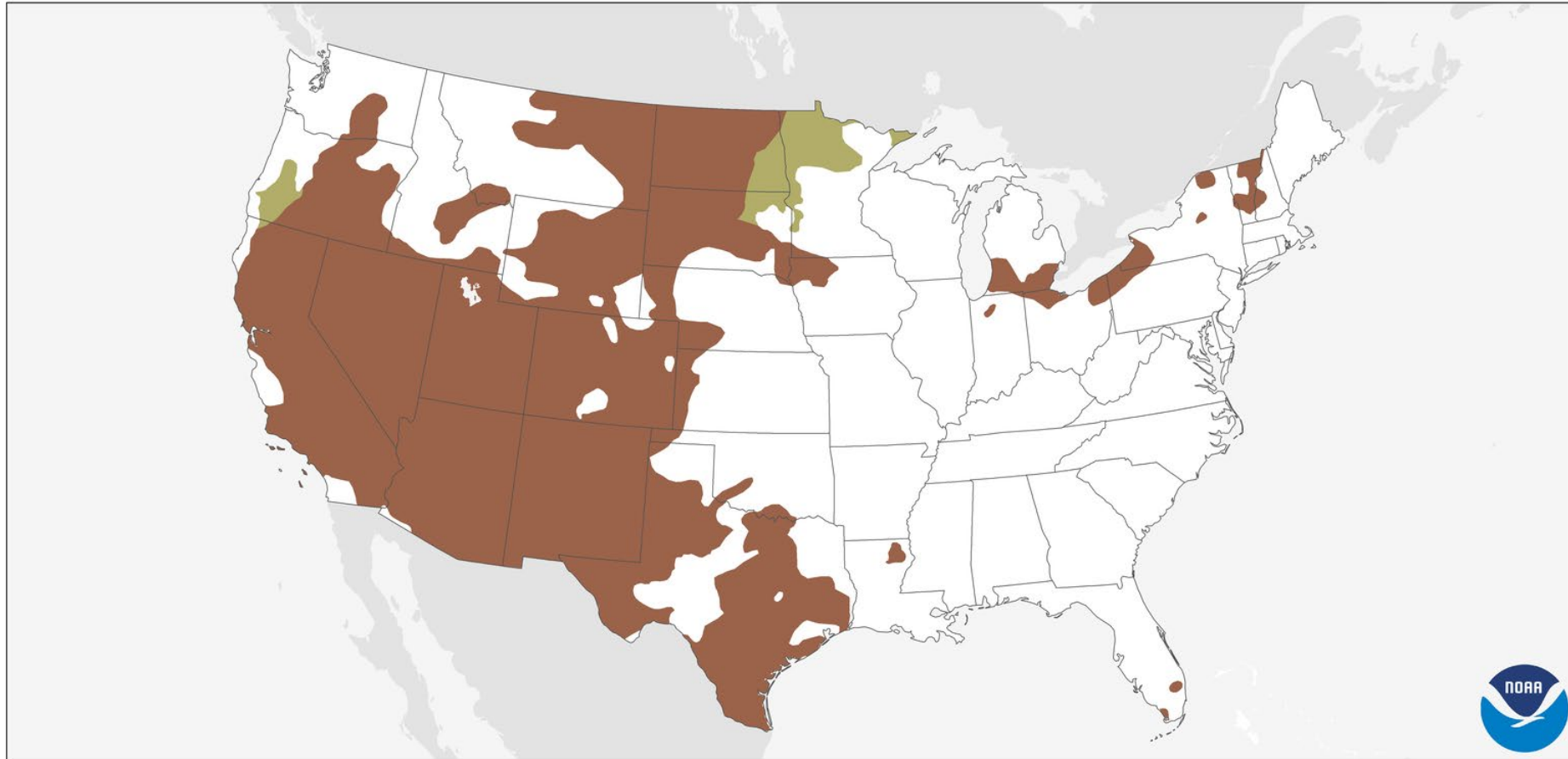
The new normal lasts about one trading session.

Corn and Soybean Futures

4/27/2021 15:16



It's always about the rain in the I states.



Drought Tendency for April 2021



• Source: NOAA

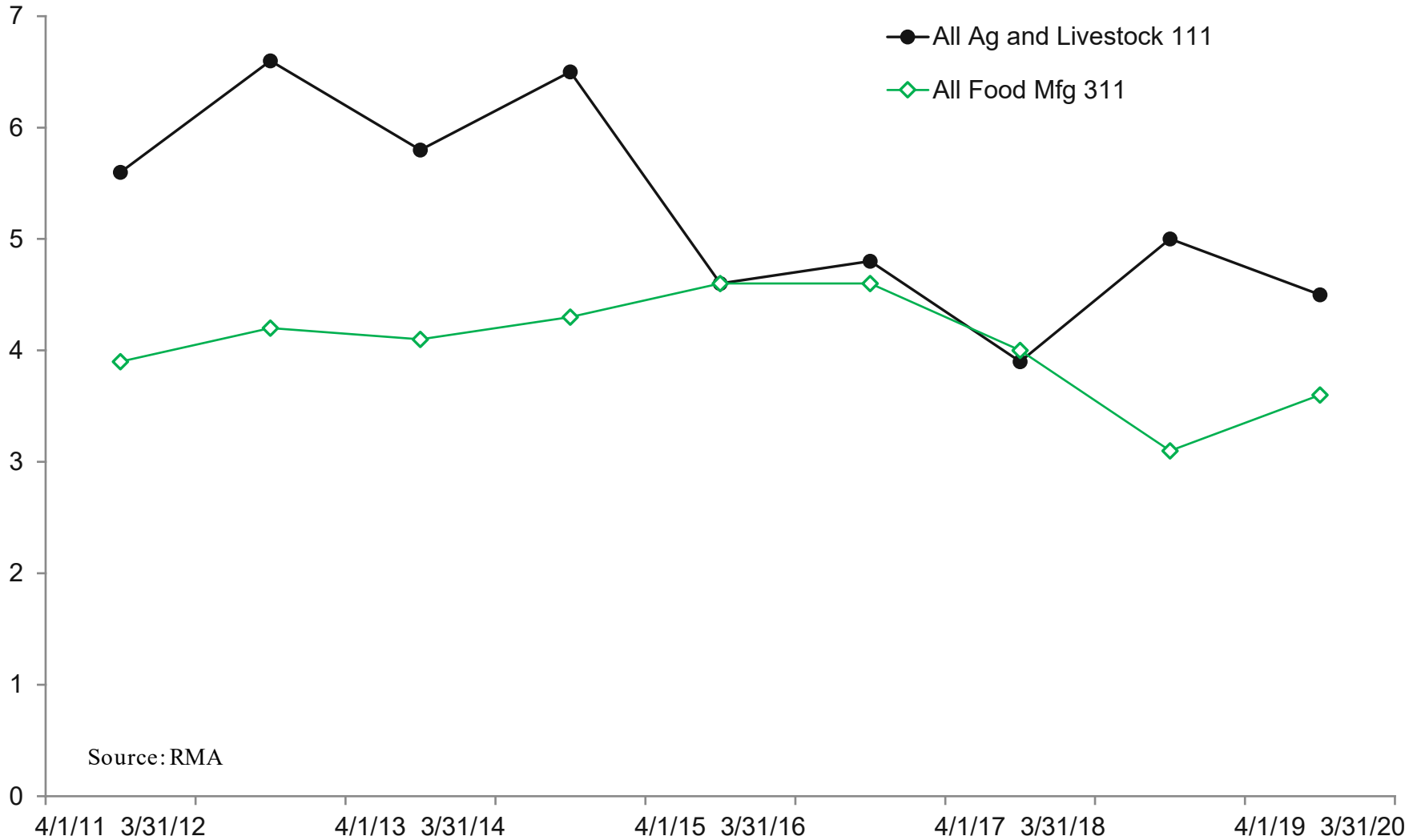
Determinants of Profitability

- Suppliers' selling power
- Users' buying power
- Inter-industry competitiveness
- New entrants
- Substitutes

* Analysis based on Michael Porter's framework

Connected but not the same.

Pct Profit Before Taxes:

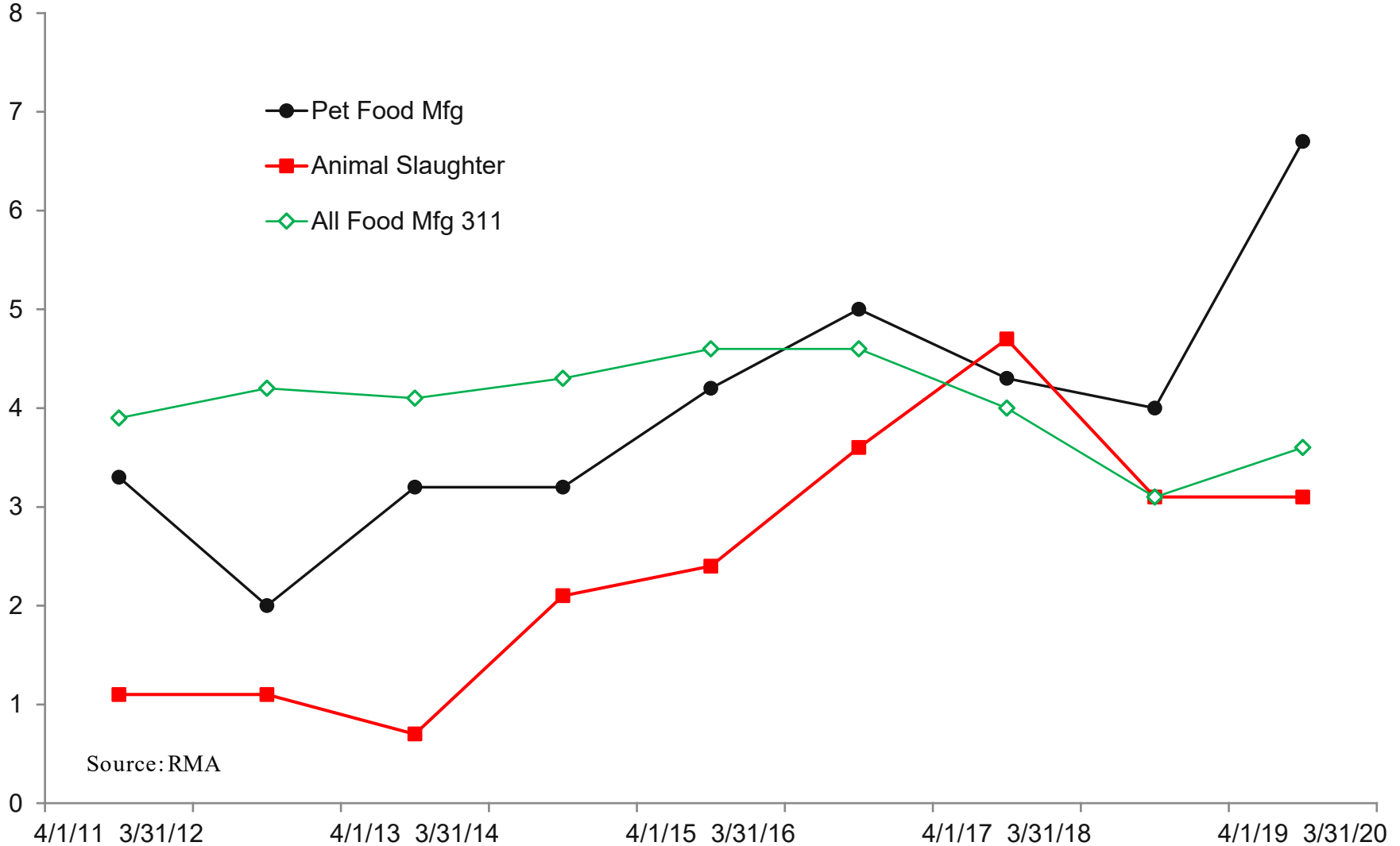


Source: RMA

Source: RMA

The Food Manufacturing ecosystem.

Pct Profit Before Taxes:
311111 Pet Food Mfg v. 311611 Animal Slaughter

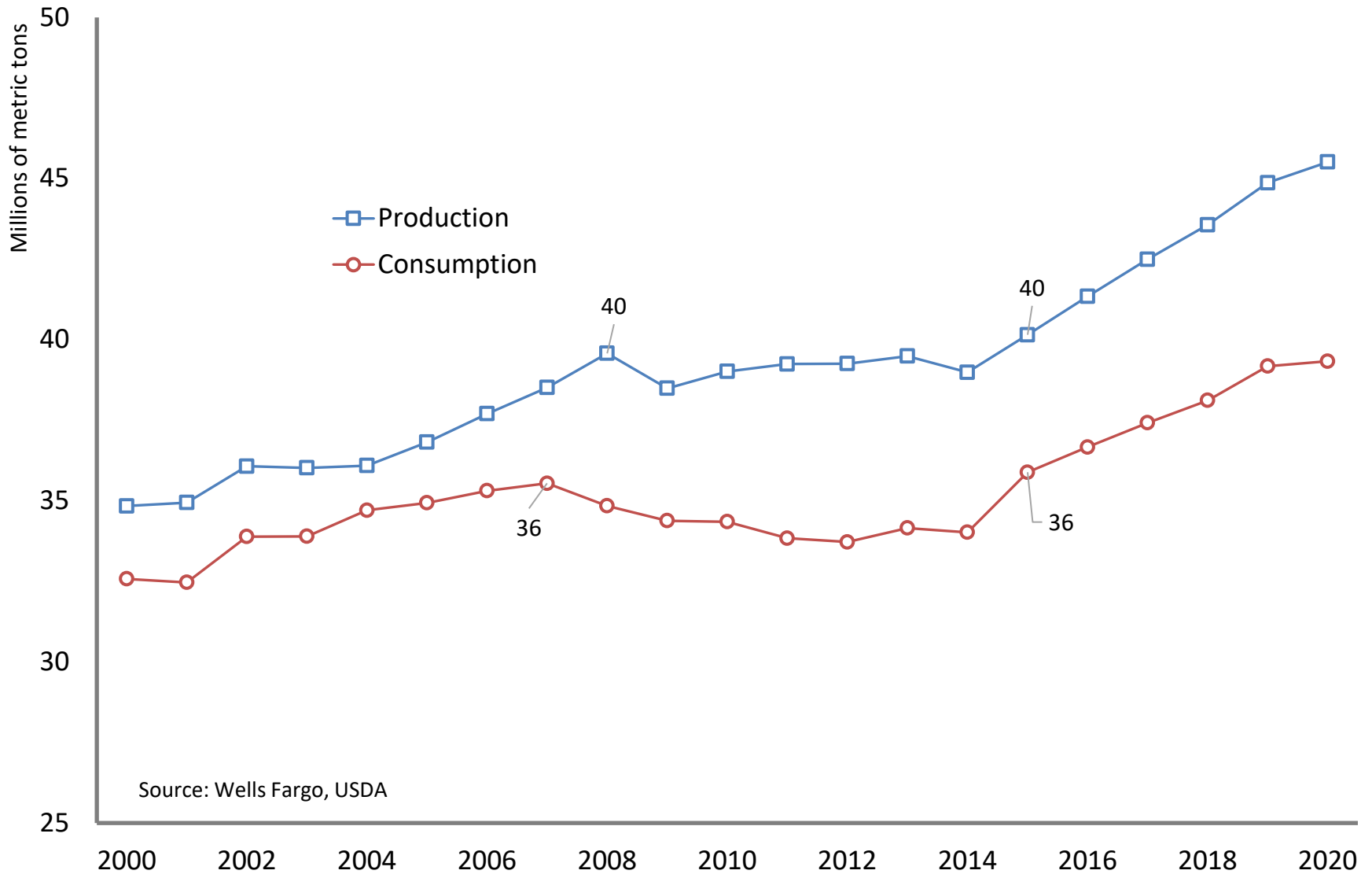


Source: RMA

Source: RMA

This is the long term driver of U.S. agriculture.

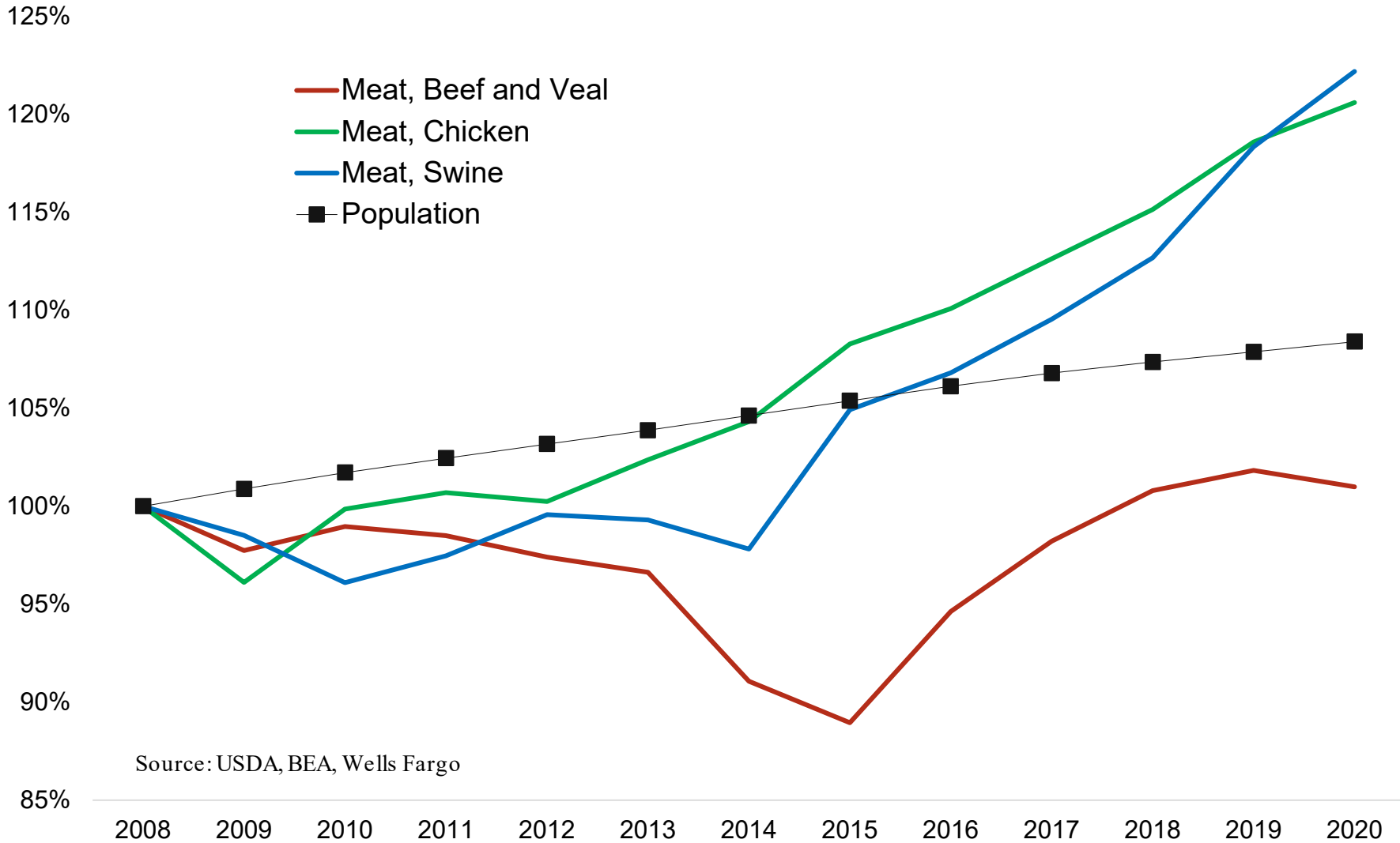
U.S. Meat Production and Consumption



Source: Wells Fargo, USDA

Only 2 of the big 3 are on the move.

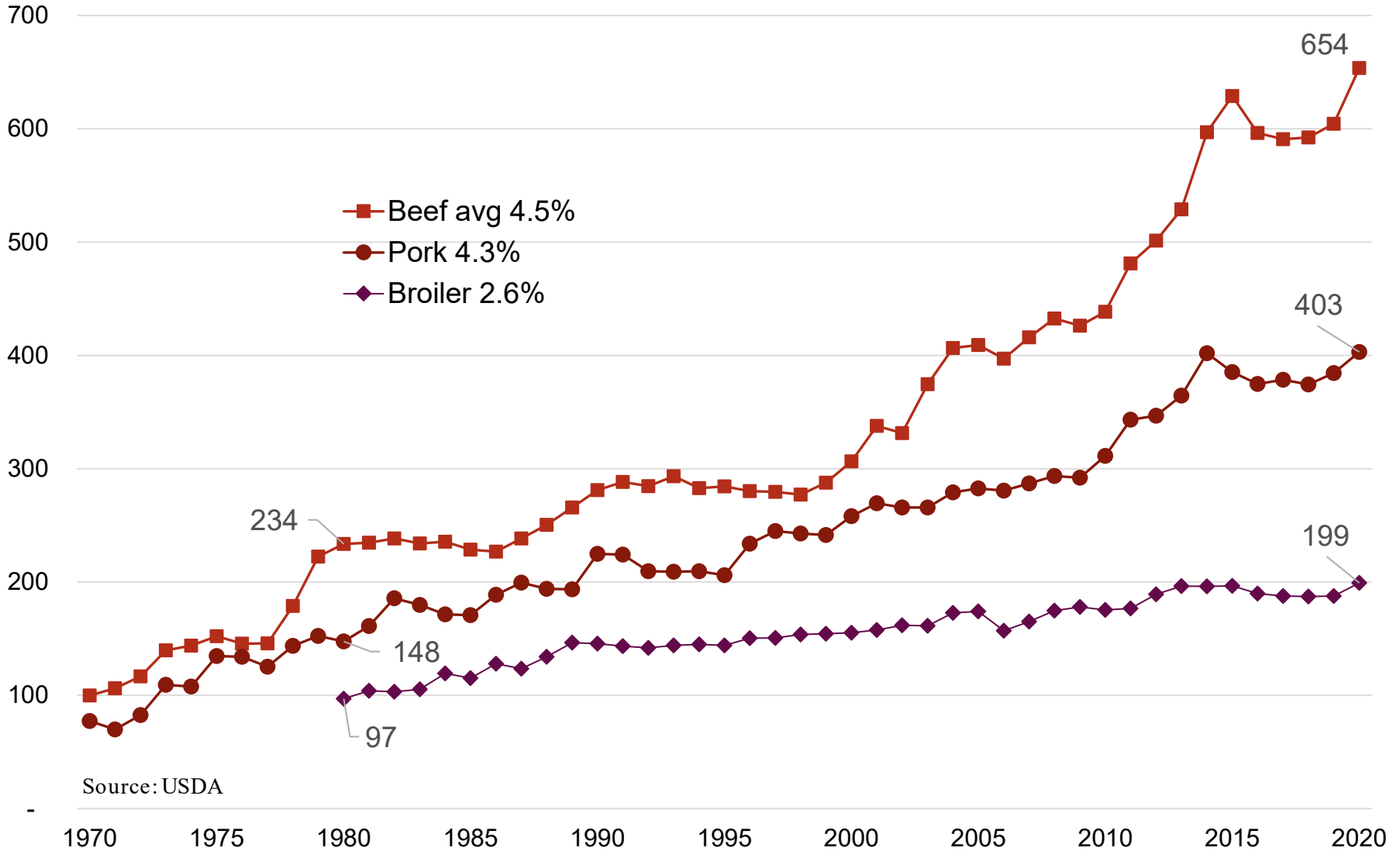
Meat Production versus Population
Indexed to 2008



Source: USDA, BEA, Wells Fargo

Not surprisingly, they offer the consumer a better value.

Retail Price: Cents per lb.
(Avg inflation since 1980)

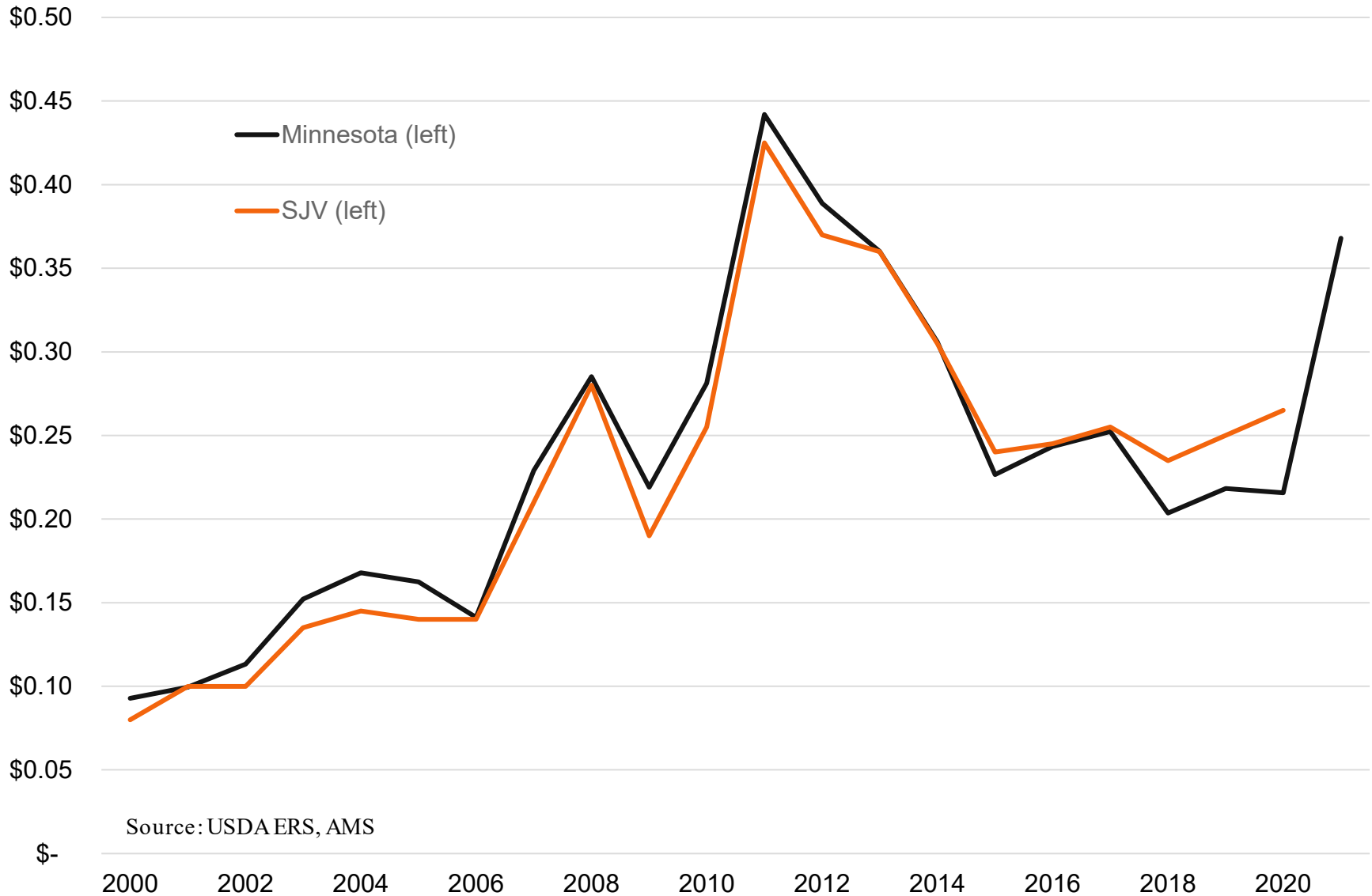


Source: USDA

Source: Wells Fargo, USDA

Not the driver of value, but a real cash component.

Yellow Grease Cents per Lb.

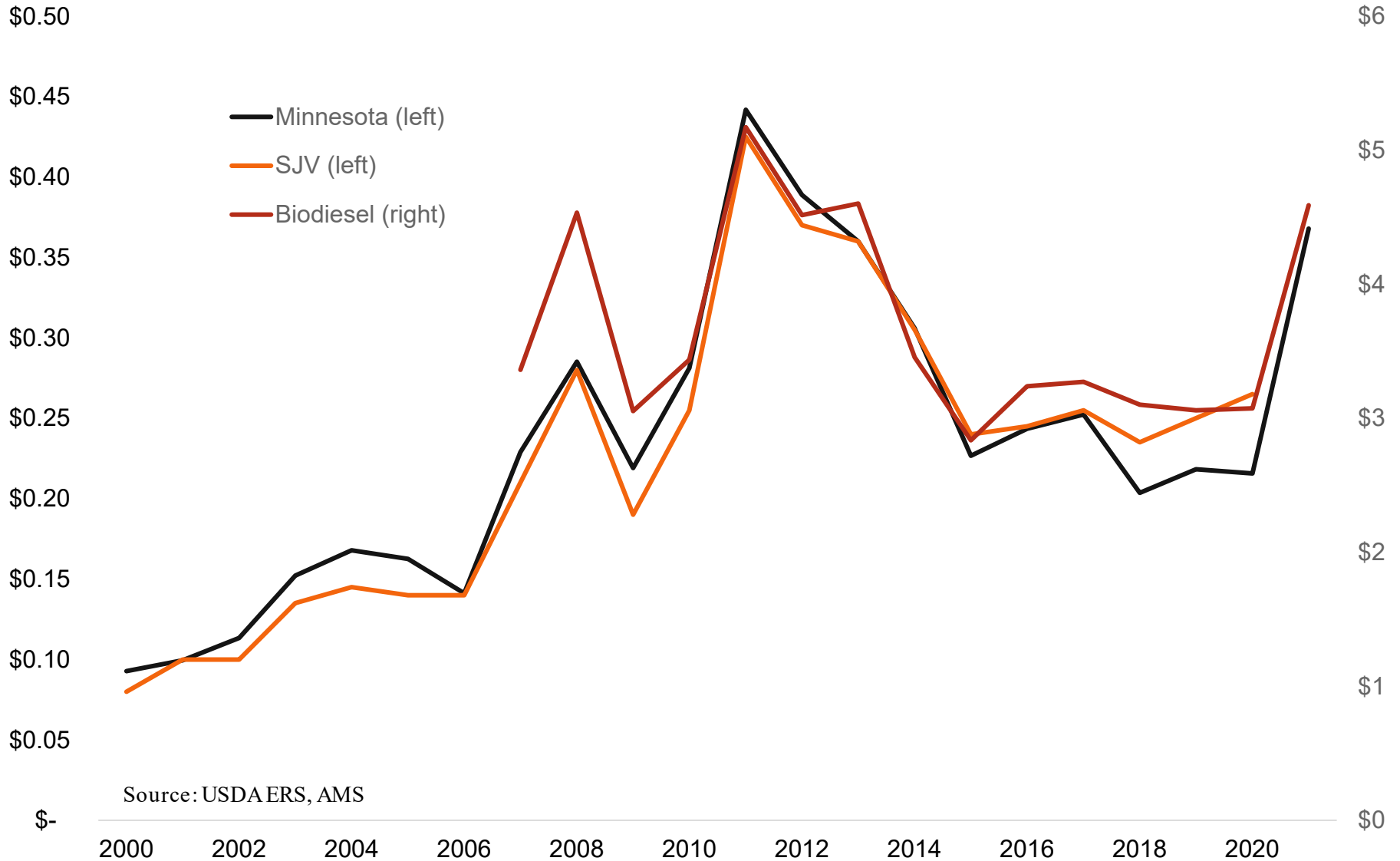


Source: USDA ERS, AMS

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It's a lobbyist's dream.

Yellow Grease Cents per Lb. versus Biodiesel \$s per Gallon



Source: USDA ERS, AMS

General disclosures

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